HOUSING MARKET OUTLOOK

Canada Mortgage and Housing Corporation
www.cmhc.ca

New Home Market

Single-family starts reach new heights as multiples take a breather in 2005 and 2006

CMHC is calling for single-family housing starts of 600 and 550 units in 2005 and 2006 respectively. Developers are being hard-pressed to provide sufficient land for this pace of development and the supply of skilled labour is also being pushed to the maximum.

Builders are being encouraged to produce units by a current absorption trend of 40 to 44 units per month. Although the average rate of absorption reached this pace in 2000, previous to this, the absorption rate has not exceeded 40 units per month since 1988. Furthermore, absorption has maintained this hectic rate for two consecutive years, placing increasing pressure on production factors.

The supply of single family units moved up from 252 units in March 2004 to 354 units in March 2005. Of this supply, 305 units were under construction, up almost 33 per cent compared to the end of the first quarter of 2004. The number of completed and unoccupied single units was up markedly from 22 units to 49 units.

Notwithstanding historically high rates of absorption, the supply of units is sufficient to last more than nine months,

Regina CMA Map

Zone 1	Downtown
Zone 2	Southwest
Zone 3	East
Zone 4	North Central
Zone 5	Northwest

REGINA

SPRING 2005

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Single-family starts to stay above the annual five year average of 500 units. Meanwhile demand for luxury apartment condominiums will keep multiple starts at robust levels.

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Sales will maintain an upward trend over the forecast horizon. Listing activity from seniors and empty-nestors moving to new condominiums will allow supply to keep pace with demand. On the whole, market conditions will remain balanced.

3 **Rental Market**
The overall vacancy rate will remain stable in 2005 and 2006 as demand from new renter households will be offset by the continued movement of existing renter households to home ownership.

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HOME TO CANADIANS

a level of supply not reached since 1992. We expect that supply have been pushed to this level in an attempt by builders to prepare show homes for the spring market.

Major developers advise us that the shortage of land that existed in 2003 and 2004 has been alleviated and they are confident that housing starts will not be limited by this factor in the forecast period. Nevertheless, soft rental markets with only minor rental increases and rising prices of new homes may cause some potential first-time buyers to postpone homeownership or seek existing housing. Employment gains and improved in-migration will counter these negative impacts. Despite this, we are calling for a slight decline in housing starts in 2006 as we expect the market will have to slow down after such a sustained rate of construction.

Average price of new singles climbs as input costs mount

The average price of new single-family homes increased by 8.4 per cent in 2003 and 4.8 per cent in 2004. As a result, the average price now stands close to $200,000. The average price will reach $210,000 in 2005 but gains will moderate to almost five per cent in 2006 when the average price will arrive at $220,000. Rising costs for land development, labour inputs and building material costs will, inevitably result in higher prices for consumers. Demands from move-up buyers for more expensive amenities and features will further contribute to the expansion of the average price.

An increasing share of new home absorptions is occurring in the higher price ranges, leading to further increases in average price. In the final quarter of 2004, over 52 per cent of absorptions were in the $190,000 plus range. This is up markedly from the 30 per cent of absorptions in the final quarter of 2003.

Multiple units under construction at highest point since the early 1970's

Regina will have another strong year of multi-family activity driven by robust demand for condominium units. Multiple starts will peak in 2005 at 650 units with a slight decline in 2006 to 600 units.

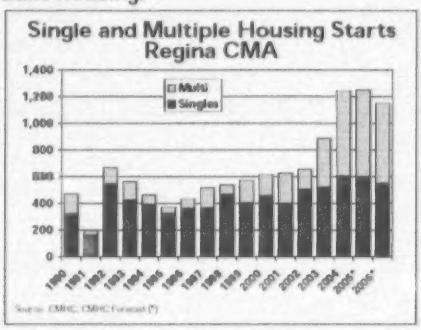
Multi-family starts were the biggest contributor to an excellent year in 2004. The year end total of 637 units was the highest number of multiple starts seen in 12 years and more than 73 per cent ahead of 2003's total multi starts. Condominium row and apartment housing turned in 272 and 274 unit starts respectively. Row housing starts were 89 per cent above that seen in 2003 while apartment starts exceeded 2003 numbers by more than 40 per cent.

The apartment absorptions trend reached 20 units monthly in mid 2004 and has maintained that rate into March. Over 250 apartment units are either completed or under construction representing sufficient supply to last approximately 13 months. Row absorptions have now reached a trended rate of 14 units monthly but supply is waning due to a slowdown in starts in the first three months of 2005. We expect apartment and row housing absorptions to match starts activity throughout the forecast period, keeping both markets balanced.

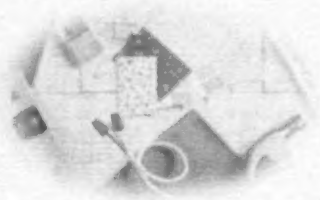
Although both row and apartment condominium sales have been equally active in 2004, the luxury apartment condominium market has more of a future as these units appeal to the growing empty-nester and senior market fueled by the baby-boomer demographic age cohort.

The average price of a condominium apartment in Regina has reached $139,224. Apartments priced in the $120,000 to $139,999 have dominated the apartment condominium market with about 44 per cent of the market. There are an increasing number of sales of units priced in excess of $160,000.

On the row housing side, average price was $120,239 in 2004. Units priced in the $120,000 to $139,999 captured most of the absorptions in this sub market with 40 per cent of the absorptions. Absorptions of row units priced in the $100,000 to $119,999 range also captured a large portion of the total absorptions recorded in 2004. As the current inventory of row and apartment units is absorbed, we expect prices to increase, reflecting the higher land, material and labour costs of newly-built housing.



BUILDING OPPORTUNITIES



CMHC's 2004 Housing Observer provides a comprehensive overview of Canadian housing conditions and trends and they key factors behind them.

The Observer gives a portrait of Canada's housing stock, how Canada's changing demographics and socio-economic factors influence our housing, and discuss the key trends in housing finance and the factors impacting the affordability of housing in Canada.

For your FREE copy of the 2004 HOUSING OBSERVER visit us on our website at www.cmhc.ca or call 1 (800) 668-2642 today!

RESALE MARKET

Resale market to remain balanced

Sales of existing homes will increase four per cent in 2005 to 2,900 sales and see another upswing of just over three per cent to 3,000 sales in 2006. New listings and employment growth (leading to in-migration) will support increased activity in 2005 and 2006. To some extent, listings activity is being driven by empty-nesters and seniors moving to condominium units as they become available. Rising prices of new housing may encourage some homebuyers to consider lower-priced existing homes in the forecast period. The modest mortgage rate increases expected in 2005 will not be sufficient to discourage the drive to ownership.

Considering modest economic growth, steady demand, a scarcity of good quality listings and modest real increases in price, CMHC is forecasting balanced markets to prevail for the balance of 2005 and 2006.

Average price shows advances

The average resale price saw gains of over seven per cent in 2004 but average resale price gains will moderate to 5.5 per cent in 2005 and rise 5.1 per cent in 2006. Average price is increasing due to both a higher proportion of more expensive homes being sold and the bidding up in price of scarce, good quality resale listings. There is, however, competition with affordable new housing being built in bedroom communities surrounding Regina and from new, condominium row housing units.

Statistics relating to sales of existing housing by price range clearly show the shift to higher-priced homes. In 2004, there was a 21 per cent increase in the number of sales in the $100,000 to $119,999 range and a 46 per cent increase in the number of sales in the $120,000 to $139,999 range compared with 2003. Homes selling in price ranges less than $100,000 have lost share.

Modest increase in cost of homeownership expected

Home ownership costs will head upward in 2005 and 2006 in the face of rising mortgage rates and higher house prices. Over the last six years, low mortgage rates have helped offset rising prices in both the new and existing home markets. CMHC is forecasting interest rate increases in late 2005 and in 2006 however, these increases are not expected to have a negative impact on the shift to homeownership.

Price increases will have the largest impact on the market by pricing some buyers out of the ownership market but CMHC has recently announced a lowering of mortgage loan insurance premiums which may diminish this effect. The announcement featured a 15 per cent premium reduction for first time buyers with five per cent down.

CMHC estimates that the income required to service the debt on an existing home purchased at the 2005 average selling price will increase only 3.7 per cent compared to current (2004) estimated ownership costs. In 2006, income required will increase a more significant nine per cent. Forecast increases in the mortgage interest rate and average cost of a resale home will both contribute to the increase in the income required to purchase a home.

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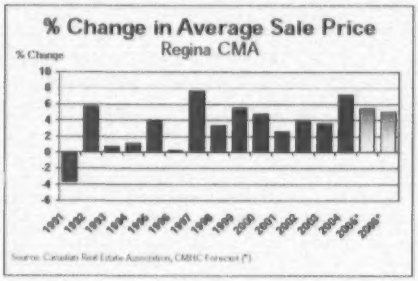

RESIDENTIAL CONSTRUCTION DIGEST

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RENTAL MARKET

Rental market stable in 2005 and 2006

CMHC forecasts little or no change in the average vacancy rate for the city of Regina in 2005 and 2006. Notwithstanding some increase in mortgage interest rates and rising prices, homeownership will continue to lure households away from rental housing but a buoyant economy with steady employment gains will attract in-migration and discourage out-migration, thus encouraging the creation of new rental households.

Historically, rental increases have been modest in the capital, averaging about two per cent annually for both one and two bedroom apartments. In nominal terms, average rent increases of $13 per month for both one and two bedroom suite types are common. We expect little variation in this pattern in 2005 and 2006. Nominal increases will range from $10 to $20 depending on the location and suite type.

ECONOMIC OVERVIEW

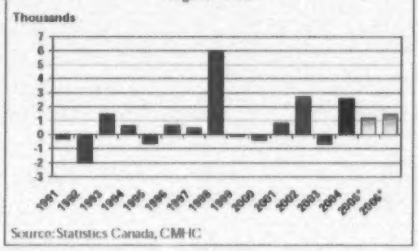
Steady employment growth expected in 2005 and 2006

After employment gains of 2,600 in 2004, total employment will experience more modest growth of 1,200 and 1,500 additional employed in 2005 and 2006.In 2004, most of the employment growth stemmed from the dominant services-producing sector which is responsible for more than 86 per cent of Regina employment. Within this sector, trade employment delivered gains of 1,400 employed. Other important sectors showing gains would include Transportation and Warehousing, Educational Services and Health Care sand Social Assistance.

Construction employment was flat in 2004 averaging 6,100 employed, down slightly from average employment of 6,200 employed in 2003. Employment growth in this sector will be limited by a lack of newly-trained trades people to replace retirees.

Average weekly earnings increased from $659 in 2003 to $667 in 2004. This represents an increase of only 1.2 per cent, less than the overall inflation rate of 2.6 per cent. The purchasing power of all consumers has declined suggesting weakened demand in the future for ownership housing.

Change in Total Average Employment
Regina CMA



Source: Statistics Canada, CMHC

Gains in income should improve in 2005 and 2006 with employment gains in the Goods sector, especially Mining, Oil and Natural Gas as well as Manufacturing, and the more highly paid service sector areas of Health and Education.

MORTGAGE RATE OUTLOOK

Short-term mortgage rates move in tandem with the prime rate while mid- and longer-term rates vary in response to the cost of raising funds in the bond markets. Posted mortgage rates are forecast to rise moderately as interest rates head higher in 2005-06. However, tame inflation, a strong Canadian dollar vis-a-vis the U.S. dollar and slower economic growth in Canada will restrain the size and the speed of Canadian mortgage rate increases over the forecast period. Mortgage rates are expected to rise by less than 50 basis points annually this year and next. One, three, and five-year rates are forecast to be in the 4.50-5.50, 5.50-6.50 and 5.75-6.75 per cent range respectively in 2005. However, rising posted mortgage rates will not necessarily lead to higher rates negotiated between borrowers and lenders.

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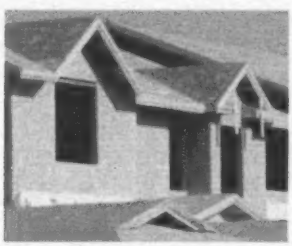

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2006 SASKATCHEWAN
Housing Outlook Conference

CMHC FORECAST SUMMARY

Regina Housing Market Outlook - Spring 2005

	2002	2003	%Chg	2004	%Chg	2005*	%Chg	2006*	%Chg
RESALE MARKET									
MLS®(1) new listings (Monthly Avg.)	339	292	-13.9%	325	11.1%	300	-7.6%	300	0.0%
Total MLS® Sales	2,817	2,632	-6.6%	2,785	5.8%	2,900	4.1%	3,000	3.4%
Average MLS® Price	$100,751	$104,419	3.6%	$111,869	7.1%	$118,000	5.5%	$124,000	5.1%
NEW HOME MARKET									
Starts									
Total	651	889	36.6%	1,242	39.7%	1,250	0.6%	1,150	-8.0%
Single-family	504	521	3.4%	605	16.1%	600	-0.8%	550	-8.3%
Multiple-family	147	368	150.3%	637	73.1%	650	2.0%	600	-7.7%
Average New House Price									
Single-family	$169,863	$184,099	8.4%	$192,949	4.8%	$210,000	8.8%	$220,000	4.8%
RENTAL MARKET									
Vacancy rate (Oct) -Per cent	1.9	2.1		2.7		2.7		3.0	
2-bedroom Rent (Annual % Chg)	2.2	1.5		2.2%		2.5		2.5	
ECONOMIC OVERVIEW									
Mortgage rate (3 yr term)	6.28	5.79		5.65		5.81		6.28	
Mortgage rate (5 yr term)	7.02	6.39		6.23		6.28		6.72	
Employed	106,900	106,200	-0.7%	108,800	2.4%	110,000	1.1%	111,500	1.4%
Employment growth (# jobs)	2,800	-700		2,600		1,200		1,500	
Net-migration (Census Year)	-500	0		0		0		0	

* CMHC Forecast

Source: CMHC, Statistics Canada, Canadian Real Estate Association and the New Home Warranty of Saskatchewan

1 Multiple Listing Service (MLS®) is a registered certification mark owned by the Canadian Real Estate Association.

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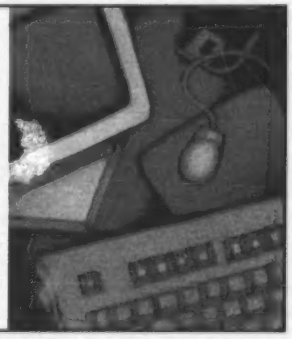

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